# PRICING STRATEGIES



# **Introduction**



Pricing of merchandise should accomplish 3 objectives:

- 1. Get the product accepted in the market;
- 2. Maintain the market share as competition increases;
- 3. Earn profits
- The pricing policy offers potential customers important cues regarding the firm's overall image.
- Setting appropriate prices is tracking competitors' prices regularly.

# Pricing Strategies and Practices



### Everyday Low Pricing (EDLP)

EDLP strategy simply try to "Keep costs low, sell more merchandise, lower prices further and sell even more".

#### □ High-Low Pricing

- Charge higher than EDLP retailers.
- Occasionally reduce prices for a short period.
- Advertise frequently

#### 

- Documents that entitle the holder to a percentage price reduction from the actual purchase price of a product or service.
- Issued in newspaper, with the product.

#### Rebates

- A portion of the purchase price is returned to the buyer.
- Customer send the proof of purchase to the manufacturer → manufacturer mails the rebate → to customers

#### Leader Pricing

Selling a product (leader) at a substantially low price to generate customer traffic and increase the sale of complementary products in the store.

### □ Price Bundling

- Distinct items from different lines of merchandise, are offered together at a special price.
- Increase the volume of sales as well as the traffic at the retail store.
- Remove less desirable merchandise from the store.

### Multiple-Unit Pricing

Occurs when the price of each unit in a multiple-unit package is less than the price of each unit if it were sold individually.

#### □ Price Lining

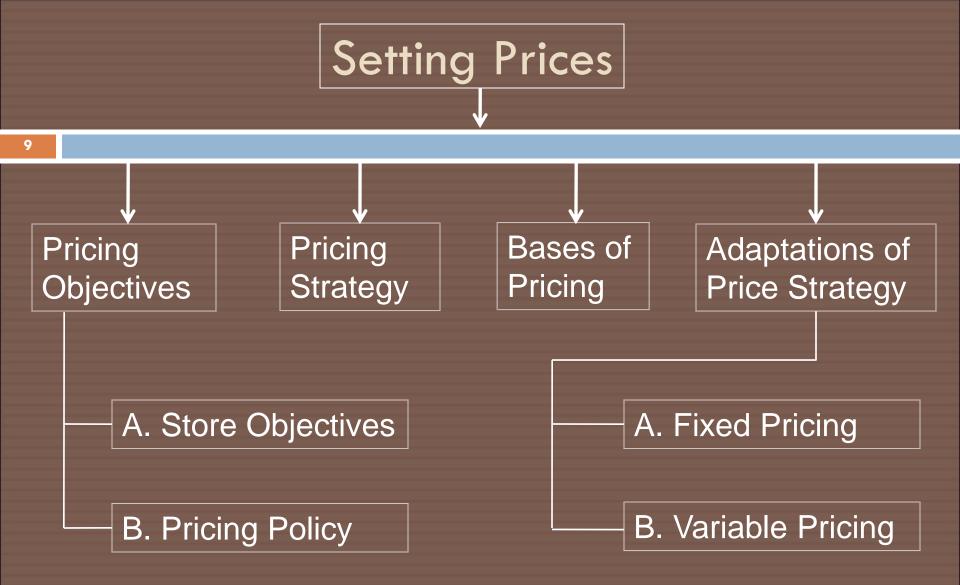
Involves establishing a specific number of price points for each merchandise classification.

Odd Pricing

The practice of setting retail prices that end in an odd number or just under an even rupee value.

# **Factors affecting Pricing Decisions**

- Merchandise
- Location
- Promotion
- 🗆 Credit
- Customer Services
- Store Image
- Legal Constraints
- Other Environmental Factors



# Pricing Objectives

### A. Store Objectives

- Sales
- Profit
- Return on Investment (Rol)
- Early Recovery of Cash
- B. Pricing Policy
  - Build Volume
  - Build Image
  - Balance Price and Value

# Pricing Strategy

- □ Skimming
- Penetration
- 🗆 Bargain

# **Bases of Pricing**

## Demand

# Cost

Competition

# Adaptations of Price Strategy

#### A. Fixed Pricing

- Customary
- One Price
- Odd Pricing
- Multiple-unit Pricing
- Price Lining

#### B. Variable Pricing

- High-Low
- Flexible Pricing
- Leader Pricing
- Bait and Switch
- Bundling
- Private Label

### Highest possible profit to skillful price

- Determining purchase price is a weapon to earn customer loyalty
- Pricing decisions role of higher management
- □ <u>Retail Pricing</u>
  - Price lining will be the subject
- Markup

A critical component of the retail mix, can refer to individual units, groups, or classifications, department's, store's or an entire division.

#### □ <u>Repricing</u>

Price reduction, or markdowns, a critical element in the pricing mix.
<u>Structuring Price Lines:</u>
<u>Price Range</u>
Denotes the spread from highest to to lowest prices carried

<u>Price Zone</u>

A series of price lines, when more than 2 price lines are stocked, a price zone exists.

Retail = (Cost + Mark up) (100%) (100%) Markdown - ?

### PoS Markdown

- Electronically programmed temporary markdowns which are taken at the cash register.
- Allow the retailer to take markdowns only when the merchandise is sold.
- Do not increase OTB

# Thank You